

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 IO-13 AF-08 EA-07 EUR-12 NEA-10
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01
INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01
SP-02 FEAE-00 OMB-01 /130 W
-----111342Z 004250 /46

R 111210Z JAN 77
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 3727
INFO AMEMBASSY LIMA

LIMITED OFFICIAL USE SECTION 1 OF 2 LA PAZ 0246

LIMA FOR AGATT BOB FOUCHS

E.O. 11652: N/A
TAGS: EAGR, ETRD, BL
SUBJ: BOLIVIAN COFFEE PRICES

REFERENCE: 76 STATE 302391

1. BEGIN UNCLASSIFIED: EMBOFFS CALLED ON COBOLCA, COMITE BOLIVIANO DEL CAFE, RE REFTEL. COBOLCA IS A SEMI-AUTONOMOUS AGENCY OF THE MINISTRIES OF AGRICULTURE AND COMMERCE AND INDUSTRY. IT FUNCTIONS AS A REGULATORY, RATHER THAN COMMERCIAL AGENT RESPONSIBLE FOR OVERSEEING INTERNAL AND EXTERNAL COFFEE SALES.

2. AS GENERAL BACKGROUND, COFFEE IS MAINLY A SECONDARY CROP FOR PRODUCERS OF TROPICAL FRUITS AND COCA IN THE YUNGAS AREA OF LA PAZ DEPARTMENT, WHICH ACCOUNTS FOR 97.5 PCT OF THE TOTAL BOLIVIAN PRODUCTION. ACCORDING TO THE 1972 COMMERCIAL STRUCTURE ESTABLISHED BY COBOLCA, EXPORTERS PURCHASE TOTAL COFFEE CROP DIRECTLY FOR PRODUCERS OR INTERMEDIARIES AT A COBOLCA-SET
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PRICE WHICH VARIES WITH INTERNATIONAL PRICE MOVEMENTS. EXPORTERS THEN MUST SELL QUANTITIES SUFFICIENT TO COVER DOMESTIC DEMAND (ABOUT 30 PCT) AT A LOWER, FIXED PRICE TO LOCAL PROCESSORS. THE RETAIL PRICE IS ALSO FIXED.

3. SPECIFIC INFORMATION REQUESTED PARA TWO REFTEL FOLLOWS:

AM CURRENT INTERNAL RETAIL PRICE AS SET BY
MINISTRY OF INDUSTRY AND COMMERCE THROUGH COBOLCA
\$.41/POUND LA PAZ AND ORURO; \$.46/POUND OTHER CITIES.

B. CURRENT PRICE PAID TO EXPORTERS BY DOMESTIC
PROCESSORS IS BASED ON COBOLCA SCALE WHICH VARIES ACCORDING
TO MOISTURE CONTENT OF BEANS. TO DETERMINE PRICE, COFFEE
BEANS ARE MEASURED IN 17 LITRE CANS, WITH THE PRICE
DEPENDENT ON THE WEIGHT IN POUNDS OF A FULL CAN, I.E. THE
HIGHER THE WEIGHT, THE LOWER THE PRICE. PRICES PAID FOR
1976 CROP (UP TO AUGUST) WERE:

FIXED PRICE/QUINTAL TO POUNDS PER 17-LITRE CAN	THEORETICAL PRICE/ LOCAL PROCESSOR CHARGED BY EXPORTER	QUINTAL TO PRODUCER PAID BY EXPORTER
17	\$25.00	\$36.00
18	24.25	35.00
19	22.50	33.50
20	21.25	32.00
21	20.00	30.50
22	18.75	29.00
23	17.50	27.50
24	16.25	26.00

(ONE QUINTAL EQUALS 100 POUNDS)

EXPORTERS SELL EXCESS CROP IN WORLD MARKET AT BEST
AVAILABLE PRICES. 1976 EXPORTS VALUED AT \$12-13 MILLION.
COBOLCA BELIEVES "DOMESTIC CONSUMPTION" INCLUDES
CONTRABAND EXPORTS TO FRONTIER TOWNS BRAZIL, ARGENTINA,
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ETC. DUE TO PRICE DIFFERENTIAL.

C. CURRENT TAXES ON COFFEE EXPORTS ARE 1 PCT TAX ON GROSS
VALUE FOB. WHEN EXPORT PRICES ARE ABOVE \$.90/POUND AN
ADDITIONAL 20 PCT TAX IS CHARGED ON THE DIFFERENCE ONLY.
(IF THE EXPORT PRICE IS \$1.20/POUND, DIFFERENTIAL TAX
EQUALS \$.06/POUND.) NO MINIMUM EXPORT PRICE IS
ESTABLISHED AND RETENTION REQUIREMENTS ARE COVERAGE OF
DOMESTIC DEMAND AS DESCRIBED.

D. CURRENT PRICES PAID TO PRODUCERS ARE THEORETICALLY
THOS CITED IN SCALE UNDER B. HOWEVER, MOST COFFEE IS
BROUGHT TO EXPORTERS BY INTERMEDIARIES. PURCHASES BY
INTERMEDIARIES FROM PRODUCERS ARE OFTEN TRANSACTED IN
BARTER TERMS SO LITTLE RELIABLE PRICE AT FARM DATA IS
AVAILABLE. COBOLCA BELIEVES PRODUCERS ARE EXPLOITED TO
SOME DEGREE BY INTERMEDIARIES.

E. PRESENTLY, THERE ARE NO LARGE SCALE PROGRAMS TO

ENCOURAGE COFFEE PRODUCTION. COBOLCA RELIES ON CONTRIBUTIONS FROM EXPORTERS TO PROVIDE SOME TECHNICAL ASSISTANCE TO PRODUCERS. IN ADDITION, IT EXPECTS SOME BUDGET ALLOCATIONS IN 1977 FOR INCREASED PRODUCTION. THERE ARE NO CREDIT INCENTIVES OFFERED TO COFFEE PRODUCERS AND THE USE OF FERTILIZERS AND OTHER MODERN PRODUCTION TECHNIQUES IS MINIMAL. DUE TO THE COMMERCIAL STRUCTURE, THE RISE IN WORLD COFFEE PRICES IS NOT FELT GREATLY BY PRODUCERS; HENCE IT IS NOT A STRONG INCENTIVE TO INCREASED PRODUCTION. END UNCLASSIFIED. BEGIN LIMITED OFFICIAL USE.

4. EMBASSY COMMENT: THE COFFEE SITUATION IN BOLIVIA IS BESET WITH PROBLEMS BOTH OF PRODUCTION AND EXPORT. NEEDING CREDIT AND INEXPERIENCED IN MARKETING, FARMERS FREQUENTLY SELL THEIR CROP TO AN INTERMEDIARY BEFORE LIMITED OFFICIAL USE

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HARVEST UNDOUBETLY AT A LOW PRICE. INTERMEDIARY'S INTERVENTION INSULATES THE PRODUCERS FROM STIMULUS TO PRODUCTION OF HIGH WORLD PRICES. ON THE EXPORT SIDE, THE MAINTENANCE OF AN ARTIFICIALLY LOW DOMESTIC PRICE ENCOURAGES CONTRABAND COFFEE TRADE WITH NEIGHBORING COUNTRIES WHERE THE PRICE IS NEARER HIGHER WORLD MARKET LEVELS. FOR EXAMPLE, CONTRABAND COFFEE REPORTEDLY FETCHES ABOUT \$1.13/POUND AT THE BRAZILIAN BORDER AND \$2.28/POUND AT THE ARGENTINE BORDER. ACCORDING TO ONE MAJOR COFFEE EXPORTER, HE NOW CULD MAKE MORE BY DIRECT SALES TO A CONTRABAND TRADER THAN IN LEGAL SALES. ALSO PAPERWORK SURROUNDING LEGAL EXPORTS REDUCES THE INCENTIVE TO INCREASE SALES.

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R 111210Z JAN 77

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 3728

INFO AMEMBASSY LIMA

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AS A MEMBER OF THE INTERNATIONAL
COFFEE ORGANIZATION, BOLIVIA IS SUBJECT TO
73,000 BAG QUATA, WHEN IMPOSED. IN 1975, BOLIVIA
EXPORTED 87,142 BAGS, REFLECTING AVAILABLE MARKET IN
NEIGHBORING NON-ORGANIZATION COUNTRIES. LOCAL EXPORTERS
WILLING TO SEEK EXPANSION OF COFFEE EXPORTS, BUT
APPARENTLY THERE IS DISAGREEMENT WITHIN THE GOB. THE
MINISTRY OF INDUSTRY AND COMMERCE REGARDS COFFEE AS A
"CONSUMPTION ARTICLE OF PRIMARY NECESSITY" AND
THEREFORE WANTS LOW DOMESTIC PRICES. THE FINANCE
MINISTRY WOULD LIKE TO EXPAND AGRICULTURAL EXPORTS SUCH
AS COFFEE TO HELP REDUCE BOLIVIA'S DEPENDENCE ON TIN
EXPORTS. IN VIEW OF EMBASSY/USAID INTEREST IN COFFEE,
AS ONE POTENTIAL SUBSTITUTE COCA PRODUCTION, A MORE
THOROUGH STUDY IS UNDERWAY OF THE CURRENT COFFEE SITUATION
AND POSSIBLE COURSES OF ACTION. END LIMITED OFFICIAL USE.
STEDMAN

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